Clifton Mining Company
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Rec 8-27-97

26 August 1997

Mr. Michael Ford
United States Department of the Interior
Bureau of Land Management
Salt Lake District Office
2370 South 2300 West
Salt Lake City, Utah 84119

Re: U-73999

Dear Mr. Ford:

Enclosed please find responses to most of the questions and requests posed in the recent letter to us signed by Ms. Wyatt.

As we discussed in our meeting of 19 August 1997, we are at present modifying the Gold Hill Plant to operate at only 200 tons per day. This simplifies the tailings management problem somewhat. At full (300 day per year) capacity, 60,000 tons of tails per year will be generated. As is shown by the enclosed Exhibit 1, we have within our fenced 8.2 acre site, space for about 2.25 acres of tails disposal. If this area is covered to a maximum depth of 15 feet, and an average depth of 12 feet, it will contain about 100,000 tons, or 1.6 years output. All tailings are and will be kept well away from the drainage channel and the access road to the Cane Spring.

Exhibit 2 is a larger scale map of the millsite showing the area to the north of the Cane Springs drainage which appears suitable for tails disposal when the fenced area is filled. This area is large enough to contain 400,000 to 700,000 tons, depending on depth and contouring constraints. Although we do not wish to be permitted to use this area at the current time, we would like to get the review process underway to facilitate permitting when it is required.

Exhibit 3 is a duplicate of Exhibit 1 modified to show the locations from which the ten pipe samples were taken to form the composite sample sent to Barringer Labs for the static tests referenced in my letter to you of 5 May 1997.

As you know, we currently obtain all of our process water from the Cane Spring. The flow

from this source is about 50 gpm in excess of that required to keep the BLM watering tank filled. At 200 tons per day, our process water requirements will be about 105 gpm. In ongoing operation, our primary water supply will be recycled water pumped from the tailings areas back to the water pond. This will be supplemented as needed by the water from Cane Spring. Precipitation at Gold Hill has long averaged about 7.5 inches per year. Potential evaporation is about 55 inches per year. Peak evaporation is about 0.46 inches per day, or about 11 gpm per acre of water surface. The level of standing water in the tailings ponds will be kept as low as practicable to insure rapid drying to facilitate any needed pond wall level change and to minimize the potential of pond wall damage from rainfall.

I have enclosed a letter from our Chief Geologist, Mr. Dan Proctor describing the specific mineral species contained in our ore and tails, and addressing the question of acid rock drainage.

We have contracted with Mr. Boyd Tangren of Redd Engineering in Salt Lake City to provide us with a reclamation plan and cost estimate for the site reclamation. We will provide this to you as soon as it is received.

Thank you for your assistance.

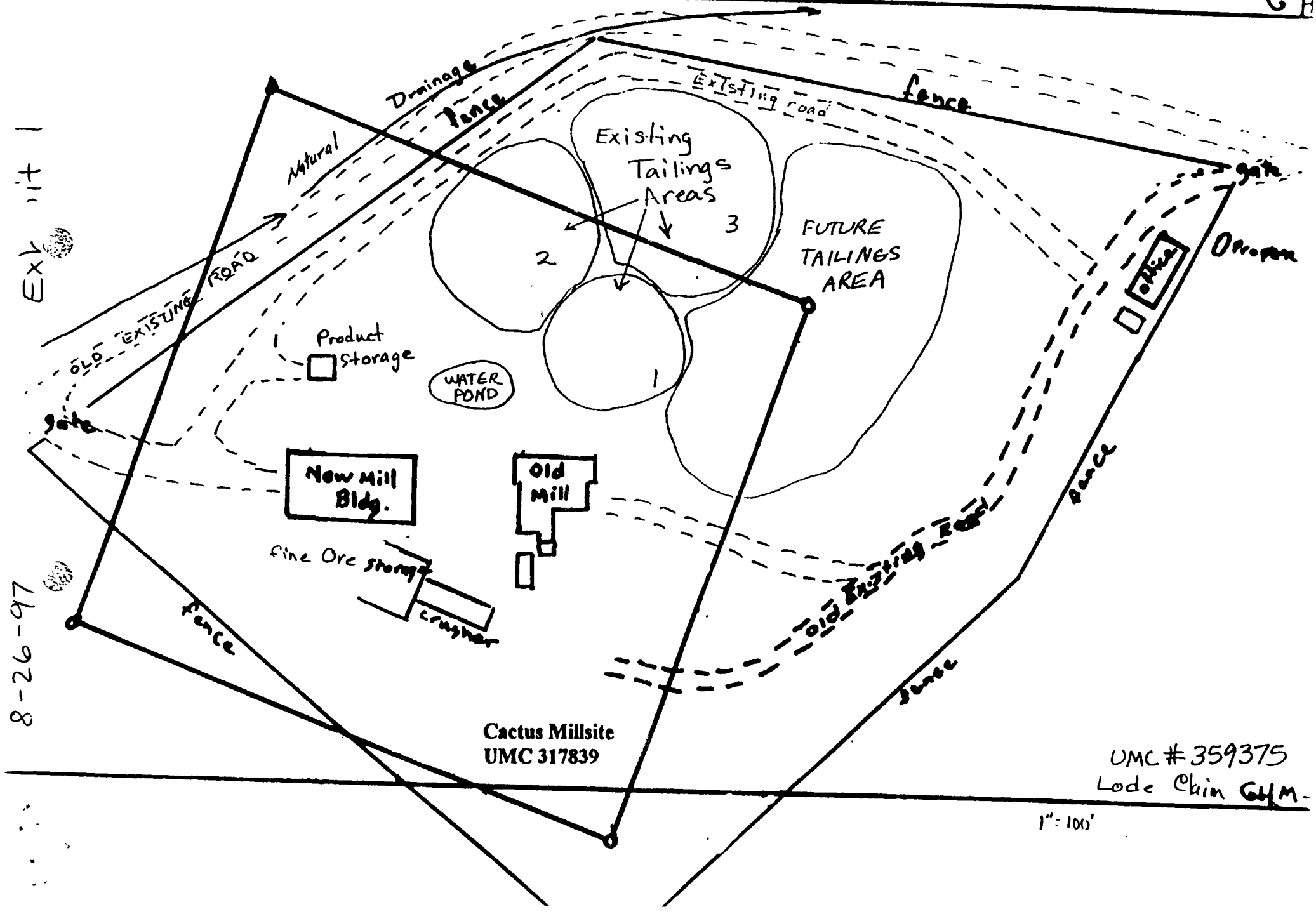
Sincerely,

Robert J. Holladay

Robert J. Holladay

Vice President, Operations

Clifton Mining UMC #359376
Lode Claim GHM-2



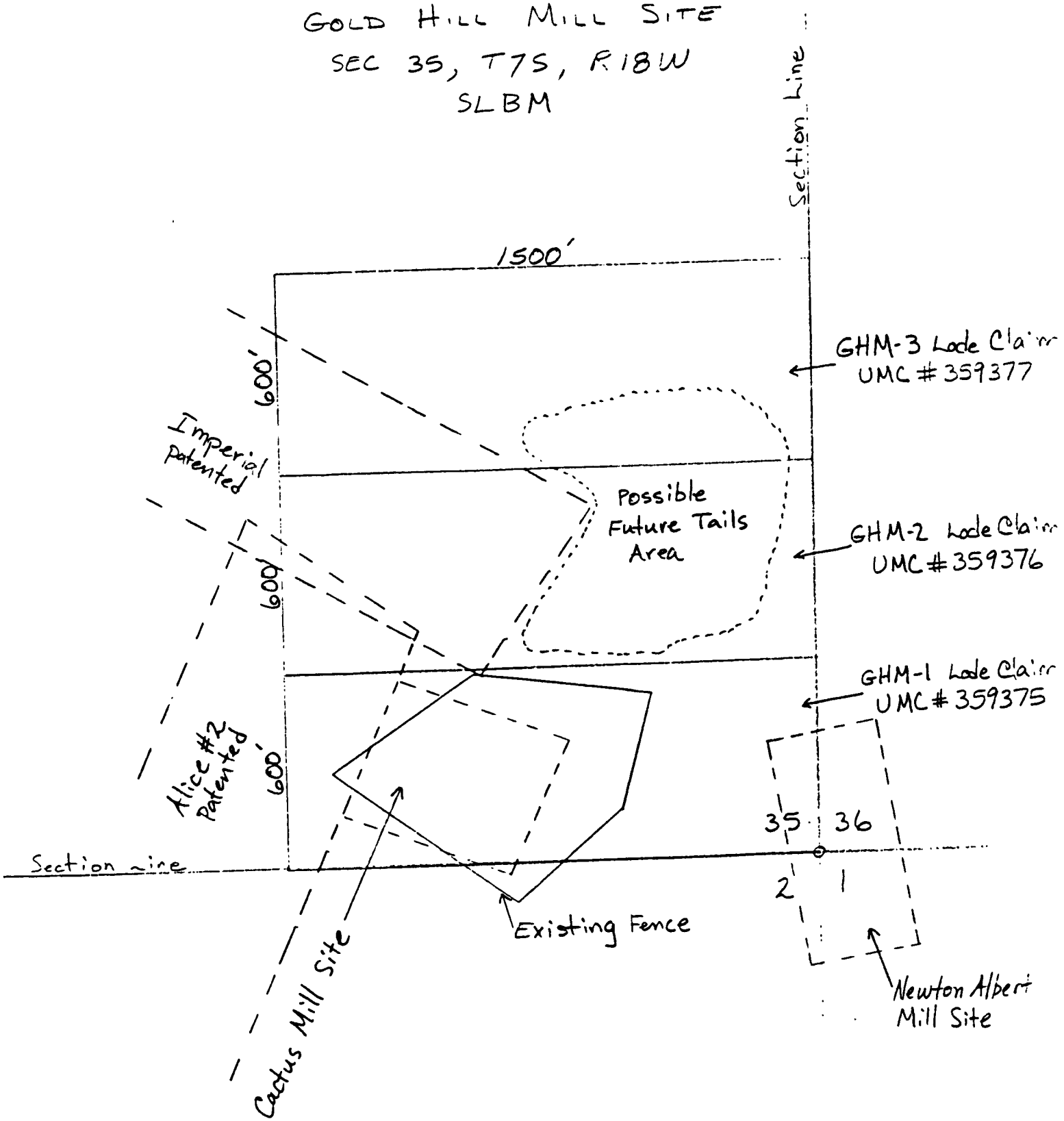
8-26-97 Exhibit 2

CLIFTON MINING CO.

GOLD HILL MILL SITE

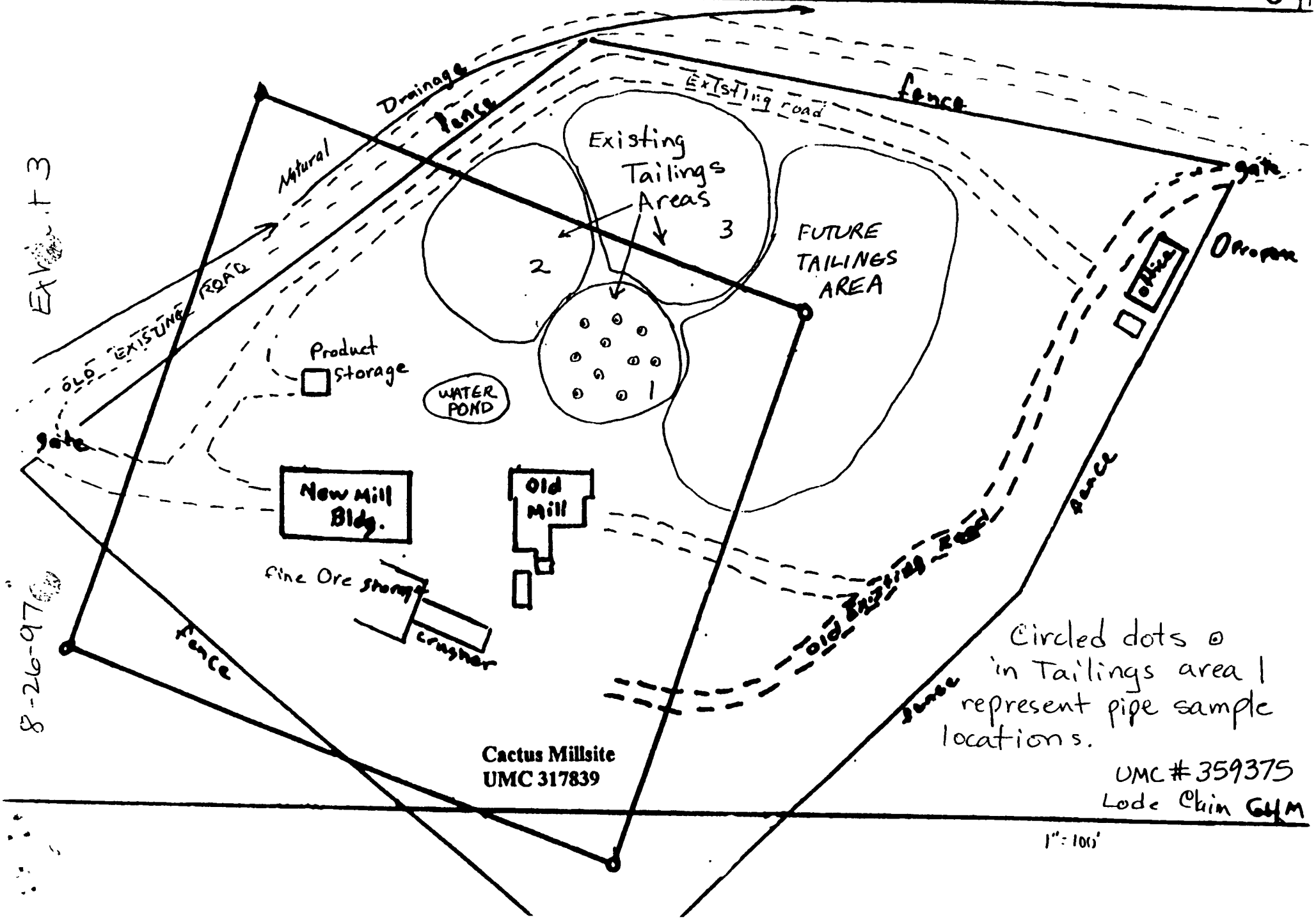
SEC 35, T7S, R18W

SLBM



UMC # 359376
Lode Claim GHM-2

GH



Circled dots ⊙ in Tailings area 1 represent pipe sample locations.

UMC # 359375
Lode Claim GHM

1" = 100'